

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 94-473-C - ORDER NO. 95-365✓
FEBRUARY 24, 1995

IN RE: Proceeding to Examine Time Limits on) ORDER ADDRESSING
 Calls Originated from Pay Telephones.) TIME LIMITS ON
) CALLS ORIGINATED
) FROM PAY TELEPHONES

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to our Order No. 94-643, which established a generic proceeding to examine the concept of placing time limits on calls originated from privately-owned and telephone utility-owned pay telephones located in South Carolina. The Notice established the fact that time limits would be considered for all pay telephones, except those pay telephones located in low-income areas wherein the 10¢ coin rate is required.

The Commission's Executive Director instructed that a prepared Notice of Filing be published in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform the interested parties of the generic proceeding and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Commission has been furnished with proof of publication of the Notice of Filing.

The original Notice of Filing stated that all pay telephone providers, both private and telephone utility, and pay telephone users could be impacted by any decision rendered in this proceeding. Further, the South Carolina Public Communications Association (SCPCA), and the South Carolina Telephone Association (SCTA), were made parties to the proceeding.

Also intervening in the proceeding pursuant to the Commission's Notice of Filing were GTE South, Inc. (GTE); Southern Bell Telephone & Telegraph Company (Southern Bell); and the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

A public hearing was commenced on January 26, 1995, at 10:30 a.m. in the Commission's Hearing Room. The Honorable Rudolph Mitchell, Chairman, presided. The SCPCA was represented by John F. Beach, Esquire. SCPCA presented the testimony of Gene R. Stewart and Barry E. Selvidge. The SCTA was represented by M. John Bowen, Jr., Esquire, and Margaret M. Fox, Esquire. The SCTA presented the testimony of M. E. Clement. GTE was also represented by M. John Bowen, Jr., Esquire, and Margaret M. Fox, Esquire. GTE presented the testimony of Robert M. Caffee. Southern Bell was represented by Harry M. Lightsey, III, Esquire, and Mary Jo Pead, Esquire. Southern Bell presented the testimony of S. E. Sanders. The Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire. The Consumer Advocate presented no witnesses. The Commission Staff was represented by F. David Butler, General Counsel. The Staff presented no witnesses.

The SCPCA presented the testimony of Gene R. Stewart and Barry E. Selvidge in support of the concept of placing time limits on calls originated from pay telephones. Stewart testified that GTE charges Customer Owned Coin Operated Telephone (COCOT) providers on a time and distance basis for use of its lines. Further, according to Stewart, Southern Bell does not charge distance-sensitive rates, but does charge COCOT providers a timed rate. According to Stewart, allowing COCOT providers to charge a timed rate would be consistent with the way the local exchange companies (LECs) charge the COCOT providers for use of the LEC lines.

Stewart went on to recommend that pay telephone providers be allowed to charge an additional 25¢ for each additional 3 minute time interval after an initial 3 minute period. Stewart stated that he believed that the timing interval of 3 minutes provides sufficient protection for the COCOT provider, while having a very small effect upon the end-user. Stewart further testified that he believed that placing a time limit per quarter on phone calls from pay telephones would increase the availability of pay telephone services to the public. Stewart believes that a 3 minute interval is appropriate, as he states that 75% of all local calls last for 3 minutes or less. Stewart further stated that the implementation of usage-sensitive local calling would assist in decreasing illicit usage, and also reduce the Commission's administrative burden of responding to piecemeal requests for imposition of a time limit on individual pay telephones. Further, Stewart noted

that the SCPCA would not object to approval of the proposed arrangement on an optional basis for both LECs and COCOT providers. Stewart noted correctly that, should the Commission adopt the proposal, certain COCOT guidelines established by this Commission, specifically, Guideline 8 and Guideline 10 would have to be amended. Guideline 8 states that the charge to a user of a COCOT for a local call may not exceed the charge authorized by the Commission for coin service provided by the local exchange company. Further, Guideline 10 mandates that no time limit may be imposed on the duration of any call made from a COCOT.

Stewart also proposed that the Commission mandate 25¢ per interval calling throughout South Carolina, even in those areas that now allow 10¢ pay telephones. This we decline to do, for reasons stated infra.

SCPCA also presented the testimony of Barry E. Selvidge. Selvidge noted that a number of states have recently adopted per minute pricing for local pay telephone calls. Selvidge stated that the proposition that implementation of a 25¢ per 3 minute rate for pay telephones would put the cost for the service upon the cost causer. It is appropriate, according to Selvidge, therefore to charge the end-user on a time-sensitive basis, as a call continues.

The SCTA presented the testimony of M. E. Clement, Executive Director of the Association. Clement notes that the SCTA would not oppose an order from this Commission that would allow individual companies to place time limits on pay telephone calls

on a optional basis. This would mean that each company would be free to make a determination as to whether that company would place time limits on calls made from company-owned pay telephones. Clement further stated that, if the Commission adopts time limits on pay telephone calls, that pay telephone providers should be required to post notices on the individual pay telephones where calls are limited, notifying customers that calls from those pay telephones are timed, and that the customer would be required to pay an additional charge for calls that exceed the stated duration. Clement opposes the amendment of COCOT Guideline 8 to allow COCOTs to charge end-users more than LECs charge for local calls. Under cross-examination, Clement stated that the SCTA would prefer a 5 minute time limit, should the Commission choose to establish time limits for calls from pay telephones.

GTE presented the testimony of Robert M. Caffee. Caffee stated that GTE supports the concept of placing time limits on local pay telephones calls. GTE also favors making the time limits optional for each pay telephone provider to accommodate differences in equipment. Caffee further stated that GTE believed that an initial period of 3 minutes is appropriate. Caffee also noted that limiting local calling would shorten waiting time at pay telephones and increase availability for customers.

Finally, Southern Bell presented the testimony of S. E. Sanders. Among other things, Sanders stated that Southern Bell was in support of a rate structure which would charge for local calls from most pay telephones based upon the duration of the

call. Sanders stated that the proposed limitation to 3 minutes of conversation time on local calls would apply to both sent-paid and non-sent-paid local calls. Southern Bell supported the proposition that such a time limit concept should be made optional to the companies. Under cross-examination, Sanders noted that a 3 minute limit on local calls from Southern Bell pay telephones would increase Southern Bell's revenues. Sanders testified that in order to maintain revenue neutrality, Southern Bell would be willing to eliminate its TouchTone charges to businesses and semi-public telephones, and reduce rates on PBX trunks.

After examination of the entire record before the Commission, the Commission finds that it is in the public interest to allow limitation on the conversation time for local calls made from pay telephones in South Carolina. The Commission, however, believes that although a limit of 3 minutes of conversation time has some merit, adoption of a 4 minute duration of conversation time more closely balances the needs of pay telephone providers, both private and LEC, and the interests of the public. We therefore hold that both LEC and private COCOT providers may institute a limitation of 4 minutes of conversation time on all coin sent and non-coin sent local calls made from pay telephones on an optional basis. Calls exceeding the 4 minute conversation time limitation will incur additional charges, not to exceed the initial charge for each additional 4 minutes of usage. This time limitation can only be implemented at pay telephones where local exchange carriers' current coin telephone message rate is 25 cents. With

regard to those otherwise covered pay telephones in areas which presently charge 10¢ per call, those pay telephone providers may, at their option, institute a 4 minute limit per 10¢ call, subject to the same conditions that we have instituted for 25¢ pay telephones. We believe that the limitation of 4 minutes of conversation time would still increase the availability of pay telephones, would limit calls of excessive duration, and would decrease the administrative burden placed on the Commission by the piecemeal requests to limit call duration from particular locations. No conversation time limitations can be implemented at pay telephones in low-income areas. These low-income areas would include low-income housing projects or mobile home parks, within one block of low-income housing, non-profit hospitals, nursing homes, elementary or secondary schools, city sidewalks and correctional institutions, the latter being the subject of a separate docket. We note that increase of the duration of 3 minutes to 4 minutes adds an additional 3.3% of all calls, according to the testimony of Witness Stewart. We do think, however, that an additional minute allows reasonable extra time for a consumer to talk, based on his initial coin deposit.

We agree, however, with the testimony of witness Clement, that if a Company, either LEC or COCOT, places time limits on its pay telephones on an optional basis, that those providers should be required to post notices on the individual pay telephones where calls are limited, notifying customers that calls from those pay telephones are timed, and that the customer will be required to

pay an additional charge for calls that exceed the stated duration. We believe that such notices are only fair to the consumer, and should be adopted where such timed calls are offered.

We do believe that both COCOT Guidelines 8 and 10 must be modified by this Order to reflect this 4 minute option, and we so hold.

We decline to rule on the SCPCA proposal to make 25¢ pay telephones the rule throughout South Carolina, with certain exceptions. We do not believe that the Notice published on this proceeding was broad enough to put the public on notice that such a charge might be under consideration. Further, we note that SCPCA has now taken the position that the proposed time limits should be our major concern, and that the issue of 10¢ versus 25¢ pay telephones be left for another day.

With regard to the additional revenues that may be seen by the various LECs as a result of the optional placement of time limits, we believe that this Order should result in revenue neutrality. Southern Bell would generate an additional net revenue of \$2,411,522 pursuant to the placement of 4 minute time limits on its pay telephones. We hereby hold that before Southern Bell may institute such limits, it must file tariffs with this Commission which would eliminate its TouchTone charge for business and semi-public customers, and to reduce PBX trunk line rates to constitute the remainder of the \$2,411,522. Further, we hereby hold that any other local exchange company who wishes to elect to

place a 4 minute limit on local calls from its pay telephones must file a rate reduction plan for Commission approval prior to implementation of the stated optional 4 minute limit. We believe that this is appropriate to maintain revenue neutrality.

IT IS THEREFORE ORDERED THAT:

1. Both LEC and independent pay telephone providers may establish 4 minute limits on their pay telephones, except those pay telephones located in low-income areas as defined herein on an optional basis, subject to the LECs following the conditions as stated below to preserve revenue neutrality.

2. Such 4 minute limit shall apply to both sent-paid and non-sent-paid calls.

3. Any Company establishing such time limits on pay telephone calls shall post signs on the individual pay telephones notifying the customers that calls from those pay telephones are timed, and that the customer will be required to pay an additional charge for calls that exceed the stated duration.

4. Prior to establishment of the optional 4 minute limit on its pay telephones, Southern Bell shall file tariffs with this Commission, which would eliminate the TouchTone charge for its business and semi-public customers, and for rate reductions on PBX trunk line charges that would makeup the remainder of the additional revenues to be gained through the establishment of the 4 minute limits.

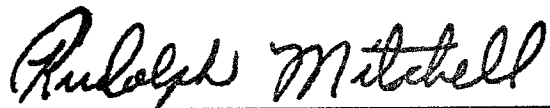
5. Any other LEC which wishes to elect the establishment of the 4 minute limit must file a rate reduction plan for Commission

approval prior to the implementation of the 4 minute limit.

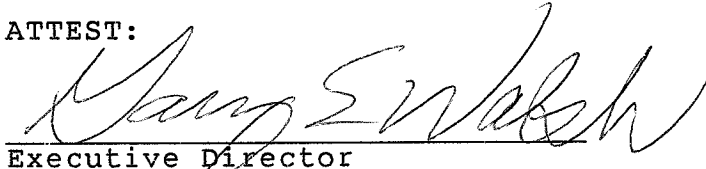
6. COCOT Guidelines 8 and 10 shall be modified accordingly to reflect the 4 minute limit option.

7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director
(SEAL)

DISSENTING OPINION OF COMMISSIONER WARREN D. ARTHUR, IV.

I would like to file my formal opposition to the Public Service Commission of South Carolina's decision concerning the authorization to allow 4 minute limits on pay telephones in South Carolina. This amounts to an approximate \$3,000,000 rate increase. I do not feel that potential pay telephone users were properly noticed nor were they adequately represented in this proceeding before the Commission. No pay telephone user testified during this proceeding. I am deeply concerned that the pay telephone users as a group which typically may have less financial resources are being used to subsidize business customers which typically have more financial resources. I strongly feel that this decision is fundamentally wrong and sets bad public policy.